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FOREIGN DIVISION

OFFICE OF DEPT. OF DEFENSE AND DEFENSES

CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

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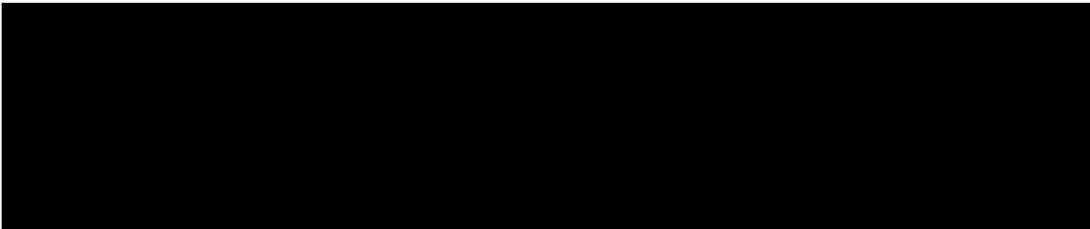
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NORTHERN DIVISION WEEKLY

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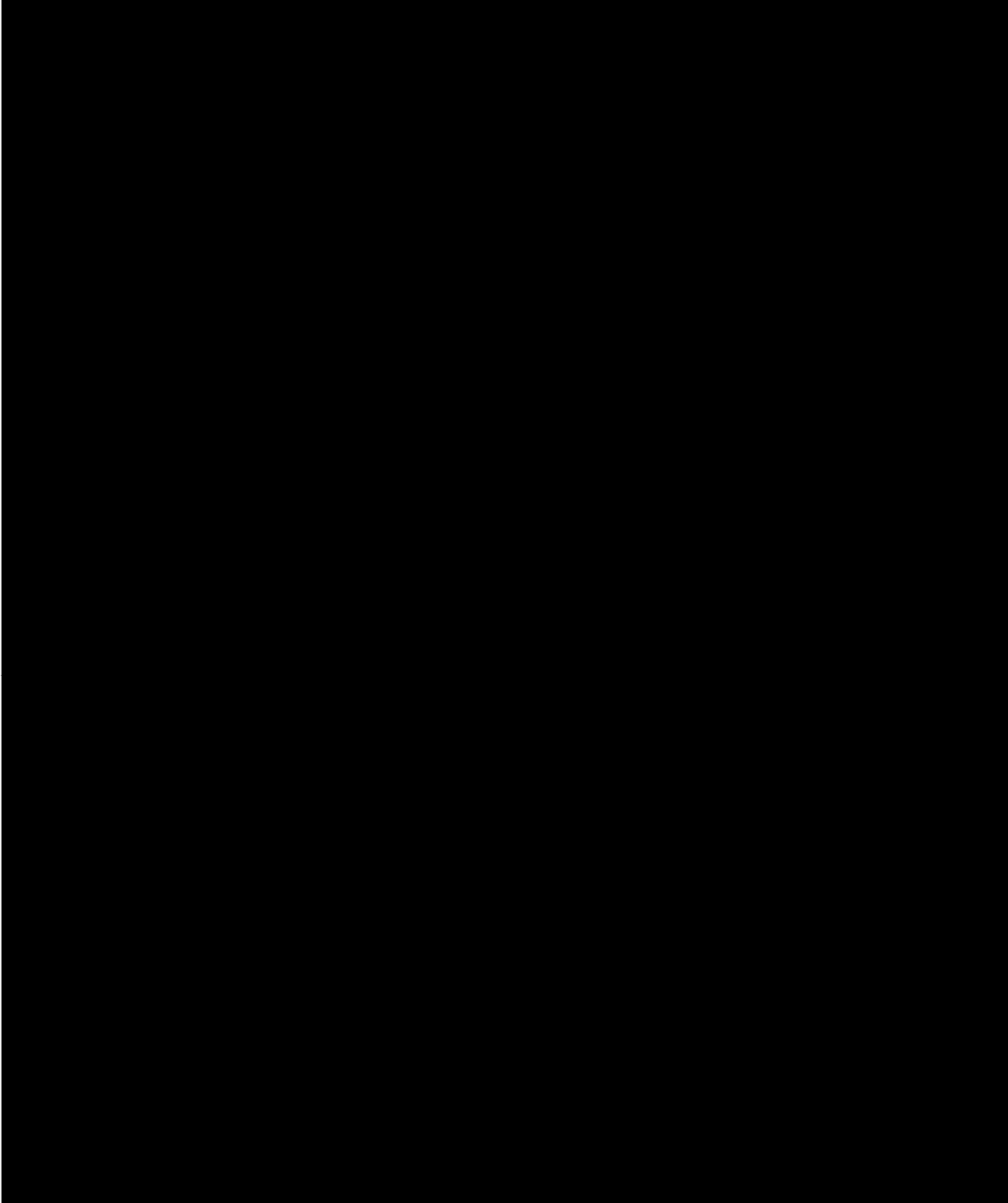
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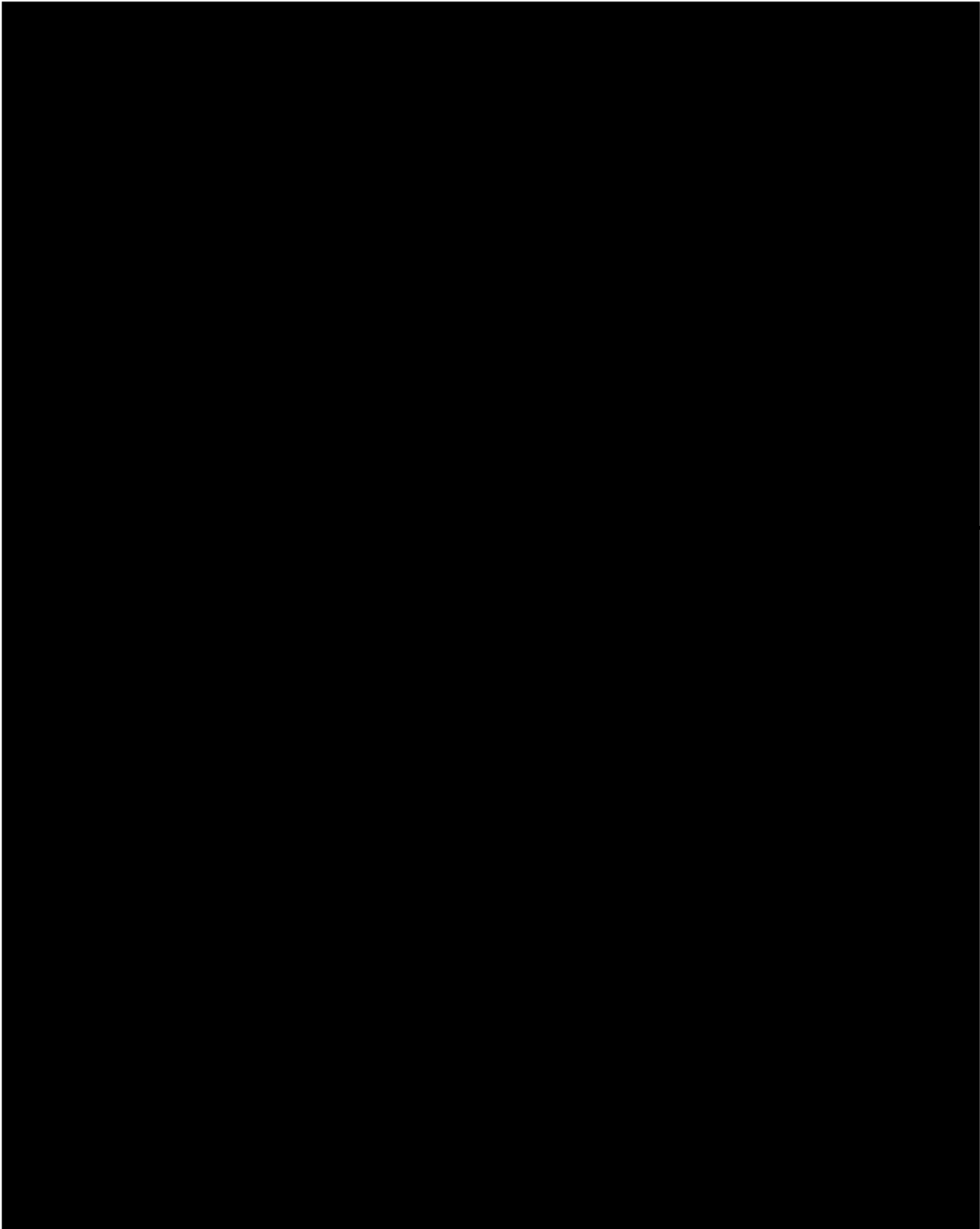


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COMMONWEALTH AND EMPIRE

Union of South Africa

4. Rift in Government coalition is averted by Malan concession

A threatened split in the Malan Government has been avoided and Finance Minister Havenga's political prestige has been increased by the joint Malan-Havenga announcement of 13 December that no legislation altering the present nature of the colored franchise will be introduced in the 1950 session of Parliament. Havenga and his small Afrikaner Party have for the past year been in open disagreement with the large extremist wing of Malan's Nationalist Party on this particular aspect of the Government's racial program, and the present incident represents a tactical victory for Havenga and a corresponding loss of face for those Nationalists who had been demanding early action on this question.

No real difference of opinion on the Government's important racial program is, however, involved. The two parties had agreed on the basic policy of removing the colored (i.e. mixed breed) voters from the common rolls in the Cape Province and giving them separate representation on a communal basis, but had differed on how this should be effected. Havenga had taken the position that the change could not constitutionally be brought about by a simple majority in the House of Assembly, and also that the substitute representation proposed by the Nationalists was a little too small. His view will now prevail, at least until the 1951 session of Parliament when, it is reported, the Nationalists plan to push the issue again.

Havenga's victory is significant mainly as an indication of the Government's recognition that, in South Africa's increasing economic difficulties, it needs Havenga's reputation

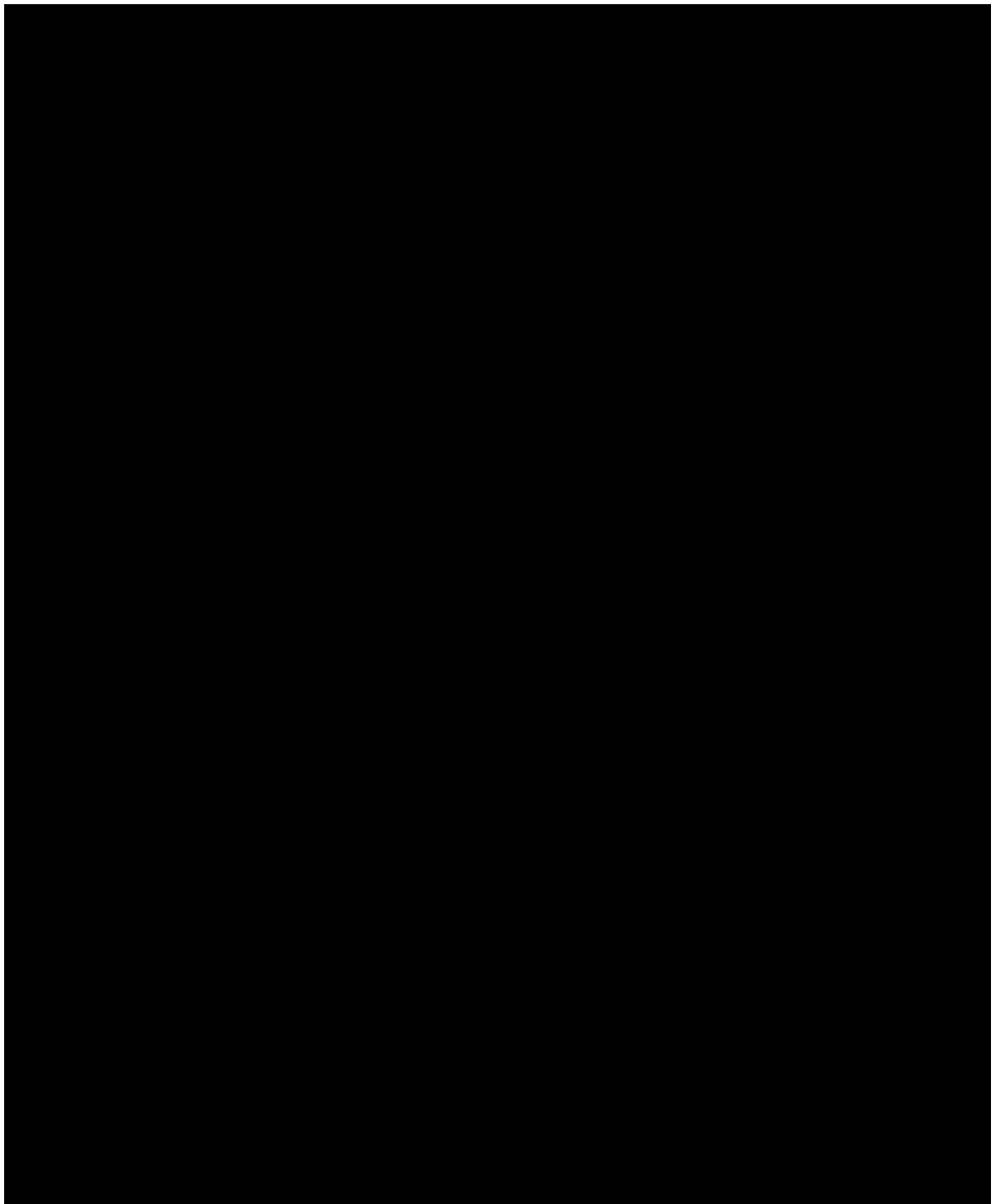
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for moderation and competence to maintain business confidence at home and abroad. The announcement will also probably quiet, for the time being, the recent persistent rumor that Havenga would force the fall of the Malan Government and form a new coalition of the center under his own premiership.

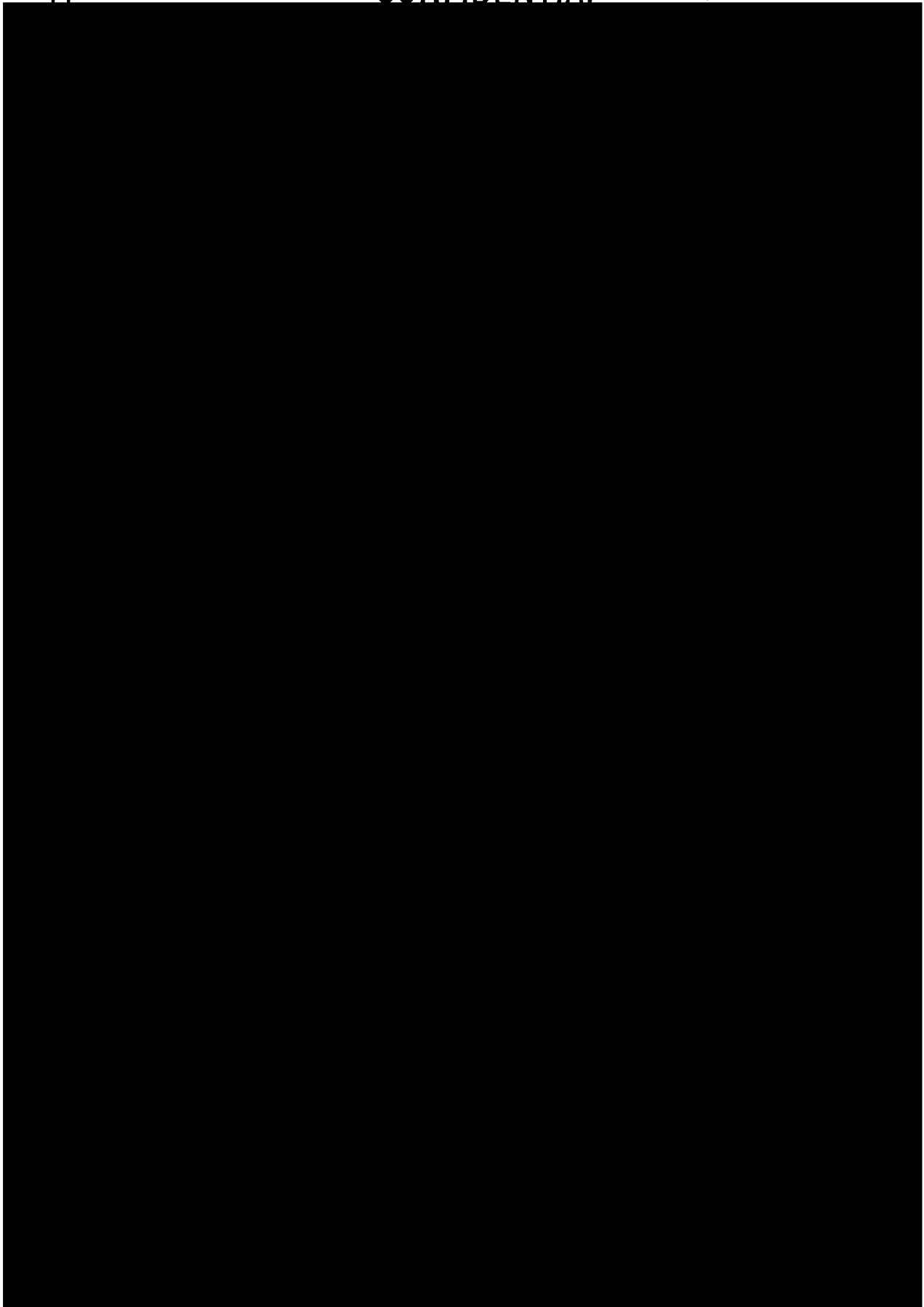
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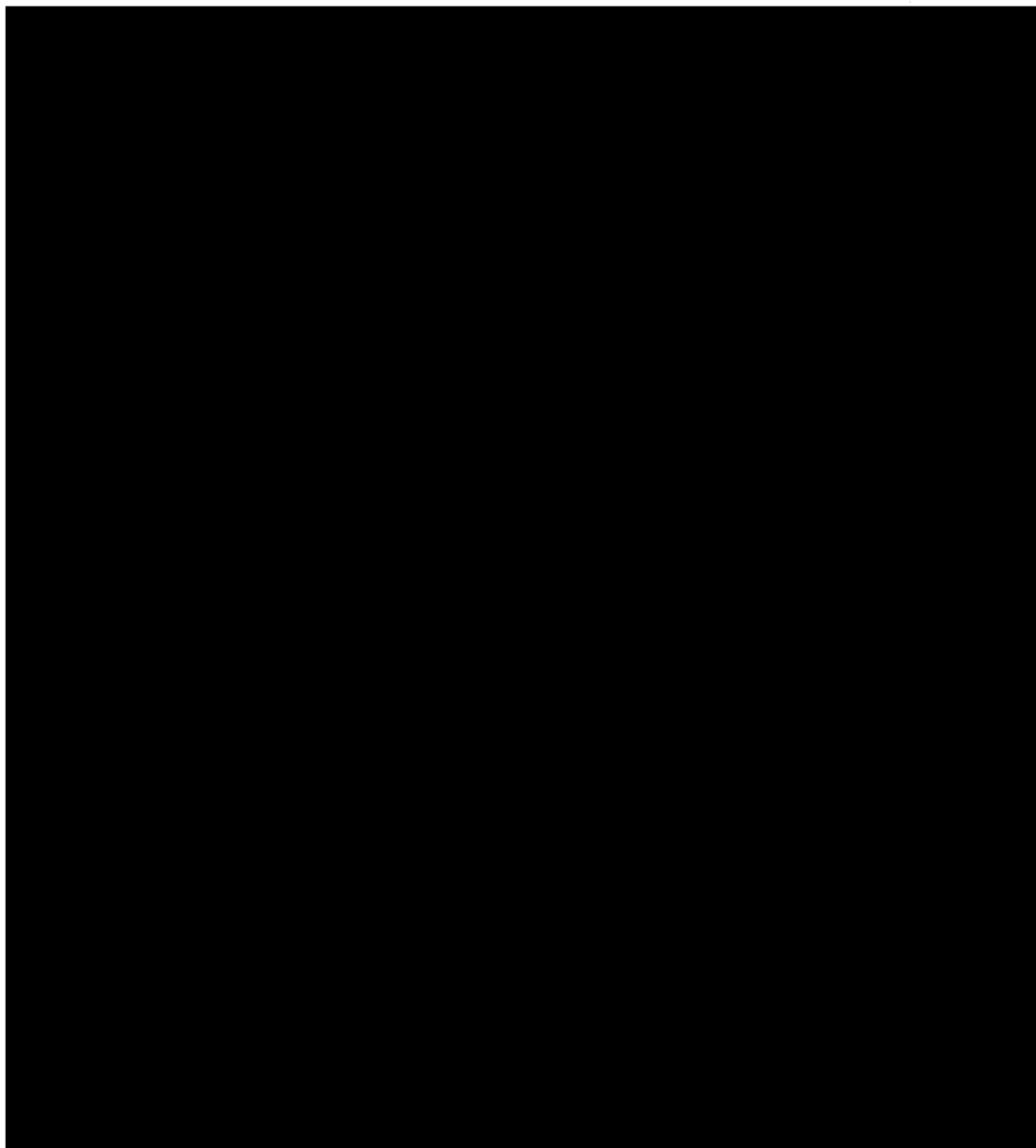
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SCANDINAVIAN BRANCH

GENERAL

1. Scandinavian civil air cooperation is threatened

The survival of Scandinavian civil air cooperation is presently threatened by differences between Norway on one hand, and Denmark and Sweden on the other over the scope and

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operating procedures of the Scandinavian Airlines System (SAS). Norwegian aviation circles have for some time been dissatisfied with the benefits accruing to Norway through participation in the joint Scandinavian operation of an overseas airline and since the Norwegian National Airline (DNL) must be subsidized by the Government there has also been political criticism. Norwegian officials and communications leaders maintain that SAS will be over extending itself in developing routes to the Far East and should rather consolidate its position in North and South America by simplifying the present organizations to reduce operating costs. How much of the Norwegian refusal to participate in a Far East service is conditioned by the present successful operation of a private Norwegian line in the area is subject to speculation.

A committee endeavoring to find a compromise solution will publish its report before the end of the year. Every effort will be made to retain Norwegian participation because a break-up of SAS would necessitate a cut-back in present operations and be a severe blow to Scandinavian participation in the overseas airline traffic. Although agitation for withdrawal will continue in some Norwegian circles, the head of DNL, who wishes to continue the joint system, has pointed out that only through joint operations can the Scandinavian airlines compete in world civil aviation.

2. Scandinavians differ on rearming Germany

Recent speculation as to Germany's military future has brought forth opposing views from defense officials in Sweden and Norway.

Influential Swedish military officers have, in private conversation, indicated great respect for German military talents and expressed the view that there is no reason for not rearming Germany, especially since west European security would be greatly enhanced. On the other hand, the Norwegian Defense Minister, while favoring ultimate inclusion of Germany in the political framework of western Europe, [REDACTED]

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This basic opposition of views is easily understandable. Sweden's professional soldiers have long admired and been friendly with Germany and believe that the stronger western Europe is defensively the more benefit Sweden will obtain even though she remains neutral. Norway's memory of the Nazi occupation remains too strong and bitter to be countered by the possible benefits that will accrue to Norway through the rearming of Germany.

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NORWAY

3. Two Communist factions vie in Norway

Dissident Norwegian Communists led by Peder Furubotn are forming a rival organization to challenge the official Communist Party under Emil Løvlien. The triumph of either group will depend ultimately upon the attitude of Moscow. This will not become known until the USSR has determined which faction best serves Soviet purposes; to date the Kremlin has remained outwardly silent. Furubotn has formed his own Central Committee which in turn called a meeting of the Communist National Committee in Oslo 10-12 December. The Løvlien Communists apparently boycotted the meeting. As a result, two national communist organizations now exist in Norway, and it is anticipated that the division will extend to local party organizations.

Since expulsion of Furubotn and his henchmen from the party, confusion has been rampant within Communist ranks. Some local party organizations have remained loyal to the official party leadership, while others have supported Furubotn. The charge of "Titoism" leveled against Furubotn is highly dubious, and the dispute seems rather to center around party tactics. It is possible that Furubotn hopes to regain control of the official party at the congress scheduled to meet in February 1950, and in preparation is presumably establishing a countrywide organization. In any event, existence of these rival organizations still further weakens Norwegian communism which suffered a severe setback in the October parliamentary elections.

SWEDEN

4. Sweden and the USSR complete trade agreement

The proposed new Swedish-Soviet trade agreement for 1950 will provide for commodity exchange at approximately the 1949 level. Swedish exports will include some 1-A items, although a reduction in amount may be expected, and a quantity of 1-B items. In return for ball bearings, iron and steel, machinery, and transportation equipment which are generally on the 1-B list, Sweden will obtain from the USSR important commodities including concentrate chromium and manganese ore, lubricating oil, fertilizer, asbestos, and cotton. The 1949 agreement fixed Swedish exports at 45 million kronor while import quotas were set at 25 million kronor. An export surplus was agreed upon as a means of reducing the Soviet clearing account balance against Sweden, but it was not

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decreased during 1949 and now exceeds 40 million kronor.

A proposal is pending for additional items to be placed on Sweden's list of restricted exports, and the Swedes also have indicated that if those types of ball bearings which are important to Soviet military planning are placed on the 1-A list, Sweden will reduce or prohibit their export to the USSR and satellite countries. Curtailment of the export of certain types of bearings could be accomplished by Sweden since the quota list will refer to total value rather than to type of bearing, and the agreement must be implemented by individual orders and export licenses, which could be denied.

NOTES

The three-day Anglo-Scandinavian conference on exploratory UK proposals for regional economic cooperation has terminated with no results except a recommendation that the effects of removing restrictions on payments and trade should be further studied and a suggestion for another meeting early next year to see if agreement could be reached on a limited program.

The Norwegian defense budget for the next fiscal year will probably be less than normal according to the Defense Minister, due to "credits" from preceding years and MDAP deliveries. Though his view appears to be at odds with recent proposals of the Norwegian Defense Commission for higher annual defense expenditures, the Commission's estimate was probably based on normal cost of defense materials without reference to credits or MDAP deliveries.

Norway may plead inability to achieve the 50 per cent OEEC goal in removal of quota restrictions for manufactured products. The obstacle is import of ships, which the Government does not wish to be unrestricted, but which constituted 26 per cent of the total import value from participating countries in 1948.

Sweden plans to free-list almost 60 per cent of imports from participating countries in 1950. The 50 per cent minimum established by OEEC resolution will be reached on finished goods and food and will be considerably exceeded on raw materials.

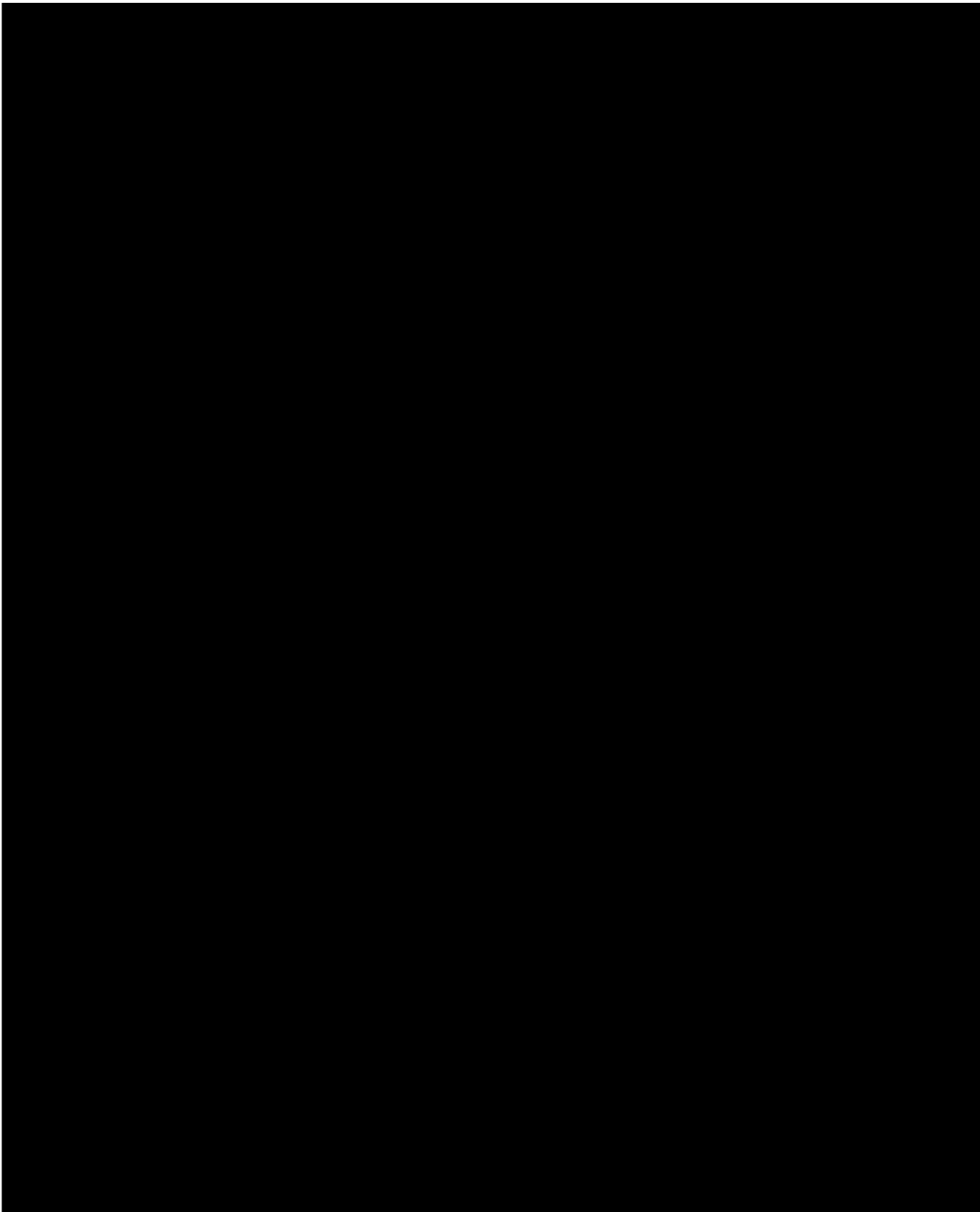
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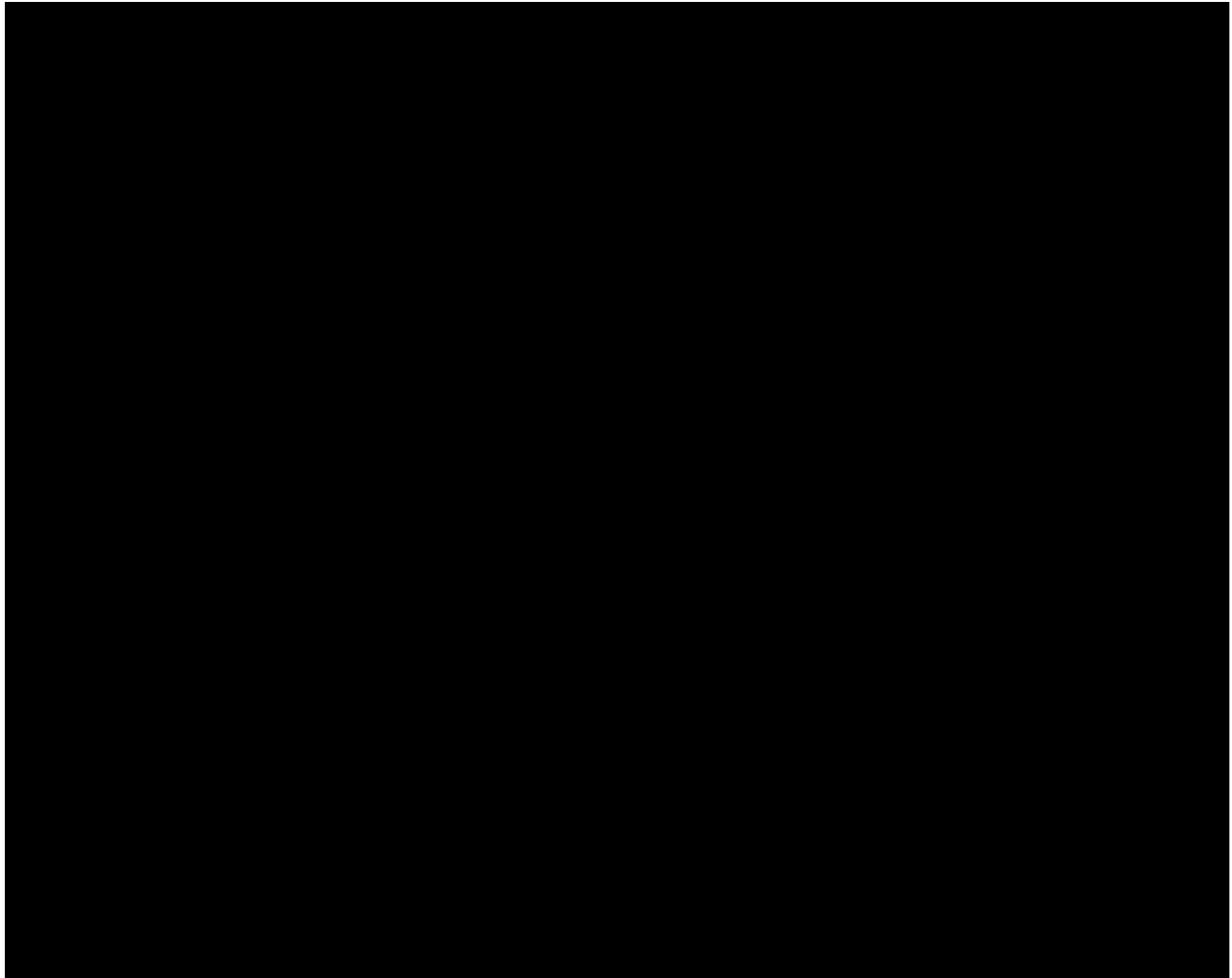
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